

Message Text

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PAGE 01 BRUSSE 13078 01 OF 02 301339Z
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----111041 301405Z /41
O 301326Z SEP 77
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC IMMEDIATE 2168
INFO USMISSION GENEVA IMMEDIATE

C O N F I D E N T I A L SECTION 01 OF 02 BRUSSELS 13078

EXDIS

PASS ELECTRONICALLY STR FOR AMBASSADOR STRAUSS
GENEVA FOR USMTN AMBASSADOR MCDONALD

EO 11652: XGDS-1
TAGS: EEC, ETRD
SUBJECT: HAFERKAMP REPLY TO STRAUSS RE TARIFF FORMULA

REF: BRUSSELS 13036

1. AS PROMISED, HAFERKAMP CALLED ME IN AT 1:15 PM
SEPTEMBER 30 AND HANDED ME REPLY TO STRAUSS LETTER WHICH
I HAD DELIVERED LAST NIGHT. TEXT FOLLOWS. REPORT OF
DISCUSSION BY SEPTTEL.

2. BEGIN TEXT:

THE HONOURABLE
MR. R. S. STRAUSS
SPECIAL REPRESENTATIVE FOR TRADE

WASHINGTON D.C.

DEAR BOB,

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I WAS SURPRISED AND CONCERNED TO RECEIVE YOUR MESSAGE
YESTERDAY. CONCERNED BECAUSE WE FULLY SHARE THE AIM OF
A RAPID AND SUCCESSFUL MULTILATERAL TRADE NEGOTIATION
WITH A SUBSTANTIAL TARIFF CUT AND OUR MEETING LAST WEEK
SEEMED UNTIL YESTERDAY TO HAVE BROUGHT US A STEP FURTHER
ON THIS ROAD. SURPRISED BECAUSE FUNDAMENTAL TO THE
COMPROMISE WORKING HYPOTHESIS WHICH EMERGED FROM OUR

DISCUSSION IN THE VIEW OF ALL OF US HERE WHO PARTICIPATED WAS THE CONCEPT NOT ONLY OF STAGING BUT OF CONDITIONS. IT WAS AMBASSADOR MACDONALD WHO SUGGESTED THAT IMPLEMENTATION SHOULD BE LINKED WITH DEVELOPMENTS IN THE ECONOMIC FIELD. AND THE EXPLANATIONS OF THE WORKING HYPOTHESIS AGREED WHICH WE GAVE IN GENEVA SEPARATELY TO OUR MEMBER STATES, TO THE JAPANESE AND TO ALL THE GATT PARTICIPANTS WERE NOT ONLY IDENTICAL BUT WERE IN THE CASE OF THE LAST TWO MADE JOINTLY WITH YOUR REPRESENTATIVES WHO DID NOT UTTER A WORD OF DISSENT PUBLICLY OR PRIVATELY.

LET ME SPELL OUT ONCE AGAIN WHAT OUR POSITION IS. WITHIN THE FRAMEWORK OF OUR MANDATE THE CONSENSUS WHICH HAD DEVELOPED AMONG OUR MEMBER STATES BEFORE OUR MEETING WAS THIS. WE THOUGHT IT ESSENTIAL TO HAVE NO EXCEPTIONS IF THE TIMETABLE WE HAD AGREED WITH YOU WAS TO BE MET. ON THAT BASIS WE THOUGHT THAT IN THE PRESENT ECONOMIC CLIMATE THE MOST THAT COULD BE ENVISAGED WOULD BE A CUT OF SOME 26 PERCENT (THE CUT IN OUR TARIFF YIELDED BY $A Y \text{ EQUALS } X \text{ THREE TIMES FORMULA}$) - COMPARED WITH THE RESULT OF SOME 35/37 PERCENT IN THE KENNEDY ROUND - AND ACCOMPANIED BY A SUBSTANTIAL MEASURE OF HARMONISATION.

WE POINTED OUT THAT SUCH AN OFFER COULD WELL EQUAL OR EXCEED AN OFFER ON YOUR PART OF A DEEPER TARIFF CUT BUT WITH A LIST OF EXCEPTIONS (IN ADDITION TO YOUR CONFIDENTIAL

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STATUTORY EXCEPTIONS) PARTICULARLY IF THESE INCLUDED A NUMBER OF HIGH TARIFF ITEMS OF SOME INTEREST TO OUR EXPORTERS. BUT YOU STRESSED YOUR NEED FOR A DEEP TARIFF CUT.

THE ESSENTIAL ELEMENT WHICH PERSUADED US IN OUR DISCUSSIONS LAST WEEK TO AGREE AD REFERENDUM WITHIN OUR MANDATE TO A WORKING HYPOTHESIS WHICH WOULD PROVIDE FOR A DEEPER CUT WAS NOT JUST STAGING OVER A LONGER THAN NORMAL PERIOD OF YEARS - BECAUSE WE WERE WELL AWARE OF THE PROVISIONS IN THIS RESPECT OF THE US TRADE ACT - BUT THE CONCEPT OF CONDITIONS FOR IMPLEMENTATION SOMEWHERE ALONG THE TRACK. WE WERE PARTICULARLY ATTRACTED BY AMBASSADOR MACDONALD'S SUGGESTION THAT IMPLEMENTATION SHOULD BE RELATED TO THE ECONOMIC SITUATION BECAUSE IT SEEMED TO US THAT IMPLEMENTATION OF TARIFF CUTS OVER NEARLY A DECADE WOULD HAVE SENSIBLY TO TAKE ACCOUNT OF THE VAGARIES OF THE ECONOMIC CLIMATE, UNPREDICTABLE AT THIS STAGE, WHICH WOULD BE ENCOUNTERED ALONG THE TRACK. IT ALSO SEEMED TO US IMPORTANT TO RESPOND TO THE NEED FOR SOME CERTAINTY FOR BUSINESSMEN. THAT IS WHY ONE OF THE EXAMPLES WE QUOTED TO YOU - WITHOUT EITHER OF US BEING COMMITTED AT THIS STAGE TO ANY PARTICULAR VARIANT -

PROVIDED FOR A NUMBER OF TARIFF CUTS IN STAGES TO BE
IMPLEMENTED UNCONDITIONALLY FOLLOWED BY SOME DEPENDENT
FOR IMPLEMENTATION ON AN ASSESSMENT OF CERTAIN ECONOMIC
FACTORS, ACCORDING TO COMMON CRITERIA AGREED IN ADVANCE.

YOU SEEM TOWARDS THE END OF YOUR LETTER TO ENVISAGE
THAT SOME MEASURE OF CONDITIONAL IMPLEMENTATION COULD BE
ACCEPTED WHEN YOU SAY THAT "IN THE FINAL NEGOTIATIONS

NOTE BY OC/T: NOT PASSED STR.

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----111131 301407Z /47

O 301326Z SEP 77
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC IMMEDIATE 2169
INFO USMISSION GENEVA IMMEDIATE

C O N F I D E N T I A L SECTION 02 OF 02 BRUSSELS 13078

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CONCERNING STAGING NEGOTIATING PARTICIPANTS MAY PROPOSE
WHATEVER TIMETABLE OR CONDITIONS THEY FEEL ARE APPROPRIA-
TE". BUT WE MUST NOW BE CLEAR AND FRANK ABOUT THE COMPO-
SITION OF A REALISTIC PACKAGE OF WHICH CONDITIONALITY
AS DESCRIBED IS AN ESSENTIAL PART. THIS WILL HELP TO
PERSUADE OUR MEMBER STATES TO MAKE A MAJOR CHANGE IN
THEIR POSITION AND AGREE ON A TARIFF OFFER OF SOME 40
PERCENT. IT WILL ALSO MEET THE DESIRE OF OTHER PARTICI-
PANTS - THE JAPANESE EMPHASIZED THIS - TO KNOW PRECISELY
WHAT IS INVOLVED IN THE WORKING HYPOTHESIS BEFORE THEY
ARE ABLE TO COMPLETE THEIR PREPARATIONS FOR THE OPENING
OF THE FINAL NEGOTIATING STAGE ON JANUARY 15.

FOR A GREAT DEAL HAS TO BE DONE BEFORE THAT DATE NOT
JUST ON TARIFFS BUT OVER A RANGE OF OTHER SECTORS - AS
WE MADE CLEAR IN OUR JOINT PRESS COMMUNIQUE OF 22 SEPT-
EMBER - IF WE CAN HOPE TO START ASSEMBLING ON JANUARY 15
A REALISTIC AND BALANCED PACKAGE. SO I VERY MUCH HOPE
THAT WE CAN NOW PRESS AHEAD ALL THE MORE RAPIDLY WITH
ELABORATING THE DETAILS OF THE WORKING HYPOTHESIS ON
TARIFFS. WE NEED IN DOING SO TO BEAR IN MIND - AS THE
LAST SENTENCE OF OUR JOINT COMMUNIQUE MADE CLEAR - THE

NEED BOTH FOR A LONG TERM PROGRAMME OF TRADE LIBERALISA-
TION AND FOR MECHANISMS WHICH WOULD TAKE FULL ACCOUNT
OF SHORT TERM ECONOMIC AND POLITICAL REALITIES IN THE
IMPLEMENTATION OF TARIFF CUTS BY STAGES. I AM SURE YOU
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WILL AGREE THAT WE HAVE A JOINT POLITICAL RESPONSIBILITY
TO ALL THE PARTICIPANTS IN THE GATT NEGOTIATIONS TO FILL
IN RAPIDLY WITH THEIR HELP THE DETAILS OF THE WORKING
HYPOTHESIS WHICH OUR REPRESENTATIVES JOINTLY DESCRIBED
TO THEM ON SEPTEMBER 23.

YOURS SINCERELY

WILHELM HAFERKAMP

END TEXT. HINTON

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ITINERARY, TARIFFS
Control Number: n/a
Copy: SINGLE
Sent Date: 30-Sep-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BRUSSE13078
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: X1
Errors: N/A
Expiration:
Film Number: D770357-0084
Format: TEL
From: BRUSSELS
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t1977095/aaaaadra.tel
Line Count: 188
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 08391343-c288-dd11-92da-001cc4696bcc
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: 77 BRUSSELS 13036
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1226747
Secure: OPEN
Status: NATIVE
Subject: HAFERKAMP REPLY TO STRAUSS RE TARIFF FORMULA
TAGS: ETRD, EEC, (HAFERKAMP, WILHEIM)
To: STATE
Type: TE
vdkgvkey: odbc://SAS/SAS.dbo.SAS_Docs/08391343-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009